

A403307
2010-024 SEPTEMBER 22, 2010

1 BEFORE THE BOARD OF OIL, GAS AND MINING
2 DEPARTMENT OF NATURAL RESOURCES
3 IN AND FOR THE STATE OF UTAH

4 ---oo0oo---

5 IN THE MATTER OF THE)
6 REQUEST FOR AGENCY)
7 ACTION OF MAR/REG OIL)
8 COMPANY FOR AN ORDER)
9 ESTABLISHING 160-ACRE)
10 DRILLING AND SPACING UNITS)
11 FOR HORIZONTAL WELLS IN)
12 AND THE PRODUCTION OF OIL,)
13 GAS, AND OTHER HYDROCARBONS)
14 FROM THE DESERT CREEK AND)
15 UPPER ISMAY FORMATIONS IN)
16 THE NE1/4 OF SECTION 19,)
17 TOWNSHIP 38 SOUTH, RANGE 26)
18 EAST, S.L.M., SAN JUAN)
19 COUNTY, UTAH.)

20 -----
21 DOCKET NO. 2010-024, CAUSE NO. 188-04
22 -----

23 TAKEN AT: Uintah Basin Applied Technology
24 College
25 Multipurpose Room
26 1100 East Lagoon Street
27 Roosevelt, Utah

28 DATE: September 22, 2010
29 TIME: 9:44 a.m. to 11:13 a.m.

30 REPORTED BY: Emily A. Gibb, RPR, CSR

31 ATKINSON-BAKER, INC.
32 COURT REPORTERS
33 WWW.DEPO.COM
34 (800) 288-3376

35 FILE NO. A403307

<p>1 APPEARANCES</p> <p>2 CHAIRMAN:</p> <p>3 Douglas E. Johnson</p> <p>4 BOARD MEMBERS:</p> <p>5 Ruland J. Gill, Jr. (Excused)</p> <p>6 Jake Y. Harouny</p> <p>7 James T. Jensen</p> <p>8 Kelly Payne (Excused)</p> <p>9 Samuel C. Quigley</p> <p>10 Jean Semborski</p> <p>11 DIVISION OF OIL, GAS AND MINING:</p> <p>12 John R. Baza, Director</p> <p>13 Dana Dean, Associate Director, Mining (Excused)</p> <p>14 Jim Springer, Public Information Officer</p> <p>15 Steve Schneider, Administrative Policy Coordinator</p> <p>16 Julie Ann Carter, Secretary to the Board</p> <p>17 ASSISTANT ATTORNEYS GENERAL:</p> <p>18 Fred Donaldson - Division Attorney</p> <p>19 Michael S. Johnson - Board Attorney</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p style="text-align: right;">Page 2</p>	<p>1 MR. CLAWSON: Okay. Thank you very much.</p> <p>2 Today we're here asking the board's approval for</p> <p>3 160-acre drilling unit -- actually drilling units for</p> <p>4 two formations located in the Squaw Canyon Field in</p> <p>5 San Juan County, Utah. Those formations are the</p> <p>6 upper Ismay and the Desert Creek formations, and</p> <p>7 we're seeking 160-acre spacing for two lateral</p> <p>8 horizontal wells, drilled one each -- one into each</p> <p>9 one of those stratigraphic intervals.</p> <p>10 This -- the -- the subject lands is the</p> <p>11 northeast quarter of Section 19 in Township 38 South,</p> <p>12 Range 26 East. These lands previously have been</p> <p>13 spaced by the board back in 1980, and Cause No.</p> <p>14 188-1, the board approved 80-acre spacing for the</p> <p>15 Desert Creek formation, essentially stand-up units,</p> <p>16 drilling units, which means it was the east half and</p> <p>17 the west half. And that order also included other</p> <p>18 lands besides subject Section 19.</p> <p>19 In Cause No. 188-1C, the board, after quite</p> <p>20 a bit of extensive drilling, the board vacated that</p> <p>21 order with respect to some lands, but not including</p> <p>22 Section 19.</p> <p>23 And in Cause No. 188-3, the board approved</p> <p>24 an exception well location for the Three Amigos well,</p> <p>25 which is located in the northwest quarter of</p> <p style="text-align: right;">Page 4</p>
<p>1 Docket No. 2010-024 Cause No. 188-04</p> <p>2 Wednesday, September 22, 2010</p> <p>3 (The proceedings began at 9:44 a.m.)</p> <p>4</p> <p>5</p> <p>6 CHAIRMAN JOHNSON: Okay. The third matter</p> <p>7 we have then this morning is Docket No. 2010-024,</p> <p>8 Cause No. 188-04, in the Matter of the Request for</p> <p>9 Agency Action of MAR/REG Oil Company for an Order</p> <p>10 Establishing 160-Acre Drilling and Spacing Units for</p> <p>11 Horizontal Wells in and the Production of Oil and --</p> <p>12 Oil, Gas, and other Hydrocarbons from the Desert</p> <p>13 Creek and Upper Ismay Formations in the North East</p> <p>14 corner of Section 19, Township 38 South, Range 26</p> <p>15 East, Salt Lake Meridian, San Juan County, Utah.</p> <p>16 Mr. Clawson, you're representing MAR/REG?</p> <p>17 MR. CLAWSON: Thank you, Mr. Chairman.</p> <p>18 Yes, Tom Clawson on behalf of MAR/REG Oil</p> <p>19 Company.</p> <p>20 CHAIRMAN JOHNSON: Thank you.</p> <p>21 Mr. Donaldson, are you representing the</p> <p>22 Division?</p> <p>23 MR. DONALDSON: Yes, Mr. Chairman.</p> <p>24 CHAIRMAN JOHNSON: Thank you.</p> <p>25 Mr. Clawson, please go ahead.</p> <p style="text-align: right;">Page 3</p>	<p>1 Section 19.</p> <p>2 And in 1988, the board -- I mean, I'm sorry,</p> <p>3 the 1989, Cause No. 188-3A. The board vacated the</p> <p>4 previous spacing orders for the Desert Creek</p> <p>5 formation, which in up shot means that the subject</p> <p>6 lands, which is the northeast quarter, are not</p> <p>7 subject to any spacing order by the board, and they</p> <p>8 were made subject to the board's general location</p> <p>9 rules. So the board has spaced this, but it's also</p> <p>10 vacated the order that's spaced it previously.</p> <p>11 Nevertheless, it is still subject to the</p> <p>12 board's temporary spacing rule, creating a 640-acre</p> <p>13 drilling unit for a horizontal well. And that's its</p> <p>14 current status right now. We're here today seeking</p> <p>15 the board's approval of 160-acre spacing for a</p> <p>16 horizontal well because, as the evidence will show,</p> <p>17 the formation and -- and the reservoir properties</p> <p>18 don't support spacing the entire 640 acres in this</p> <p>19 section for purposes of producing the upper Ismay and</p> <p>20 the Desert Creek formations.</p> <p>21 I need to make clear from the beginning</p> <p>22 that -- that we're only dealing with the northeast</p> <p>23 quarter here today. Our request for agency action</p> <p>24 that was filed in this matter does contain a request</p> <p>25 to create temporary spacing for horizontal wells in</p> <p style="text-align: right;">Page 5</p>

<p>1 the remaining quarter sections of Section 19. 2 Because if the board approves our request to create 3 160-acre drilling in the northeast quarter, that, in 4 a sense, will viscerate the rule and no other party 5 will be able to drill a horizontal well in 6 Section 19. 7 I'm thinking that it would be good to give 8 the Division a method to administratively approve 9 future horizontal wells in Section 19. We thought it 10 might be prudent that the board create a temporary 11 rule governing those other sections, or other quarter 12 sections. But the Division's indicated that it 13 doesn't support that temporary spacing, which 14 basically renders the issue moot. And -- and we 15 don't wish to pursue that. 16 We don't have any ownership interest set 17 aside in the northeast quarter, so I'm essentially 18 withdrawing that section of our request. The board 19 can, on its own, with its own authority if it decides 20 to, create a temporary spacing for the -- that would 21 be the northwest, the southwest, and the southeast 22 quarter sections in Section 19. But -- but that's 23 not something we're going to put evidence on today. 24 So just so we're clear about that. 25 And -- but we are going to put on evidence</p> <p style="text-align: right;">Page 6</p>	<p>1 MR. JENSEN: Okay. Thank you. 2 CHAIRMAN JOHNSON: Thank you. 3 MR. CLAWSON: So with that, I'd like to 4 introduce my witnesses with me today. To my left is 5 Tariq -- or Tariq Ahmad, who is MAR/REG's petroleum 6 engineer, who will testify as to the land and 7 ownership issues, as well as to reserve calculations 8 and -- and reservoir economics. 9 And then on my right is Mobashir Ahmad, who 10 is consulting petroleum geologist working for MAR/REG 11 who will testify as to the geologic aspects of the 12 stratigraphic intervals that have been proposed for 13 spacing today. 14 And with that, I'd ask that the witnesses be 15 sworn in. 16 CHAIRMAN JOHNSON: (Speaking to court 17 reporter.) Will you do that, please? 18 COURT REPORTER: Yes. 19 20 Thereupon -- 21 TARIQ AHMAD and MOBASHIR AHMAD, 22 were called as witnesses, and having been first duly 23 sworn to tell the truth, the whole truth, and nothing 24 but the truth, testified as follows: 25 ///</p> <p style="text-align: right;">Page 8</p>
<p>1 regarding the northeast quarter which are the subject 2 lands, and where MAR/REG and the sister company, 3 Nathan Oil -- Nathan Oil, LTD, owns interest. 4 MR. JENSEN: It seems to me, Mr. Chairman, 5 that it would be appropriate to have Mr. Clawson 6 prepare a formal withdrawal. And I don't know quite 7 what the form is, Mr. Clawson, but -- but withdrawing 8 those other sections from your request for agency 9 action so that the record will be clear, and if you 10 will submit it to the chairman. 11 MR. CLAWSON: That would be fine. Or 12 assuming the board approves today's request, I could 13 include it in that as well. It could be a finding 14 and part of the -- 15 MR. MURRAY: I think either way, but I think 16 we ought to have it in the record, because right now 17 you're -- you're on record formally asking for an 18 adjudication on -- on quarter sections that you don't 19 have any interest in. 20 MR. CLAWSON: Right. And -- and we don't 21 have any interest in pursuing since the Division -- 22 MR. JENSEN: Right. 23 MR. CLAWSON: -- doesn't want it either. 24 That would be fine. That would be a good 25 way to do it.</p> <p style="text-align: right;">Page 7</p>	<p>1 MR. CLAWSON: Okay. I'll call my first 2 witness, Tariq Ahmad. 3 Would you please state your name and address 4 for the record? 5 TARIQ AHMAD: It's Tariq Ahmad, 13495 South 6 Hills Drive, Reno, Nevada 89511. 7 MR. CLAWSON: And what is your affiliation 8 with MAR/REG? 9 TARIQ AHMAD: I am a petroleum engineer for 10 MAR/REG Oil Company. 11 MR. CLAWSON: And what are your -- and what 12 are your principal responsibilities in that position? 13 TARIQ AHMAD: With MAR/REG, I do all the 14 petroleum engineering and as well as the land and -- 15 land and assignments and things of that sort. 16 MR. CLAWSON: Is MAR/REG a Nevada 17 corporation? 18 TARIQ AHMAD: Yes, it is. 19 MR. CLAWSON: Is it in good standing? 20 TARIQ AHMAD: Yes. 21 MR. CLAWSON: Where is its principal place 22 of business? 23 TARIQ AHMAD: Reno, Nevada. 24 MR. CLAWSON: And is it qualified to conduct 25 business in Utah?</p> <p style="text-align: right;">Page 9</p>

<p>1 TARIQ AHMAD: Yes, it is. 2 MR. CLAWSON: Okay. I draw your attention 3 to Exhibit No. 1. 4 Are you -- have you examined this exhibit 5 and are you familiar with it? 6 TARIQ AHMAD: I have. 7 MR. CLAWSON: Could you please point out 8 where the Squaw Canyon Field is? 9 TARIQ AHMAD: It's on this map. It's 10 labeled as Squaw Canyon, and it's around -- in the 11 blank -- right around the Blanding area, right there 12 to the southeast (indicating). 13 MR. CLAWSON: Now, I call your attention to 14 Exhibit No. 2. 15 (Exhibit 2 was discussed.) 16 MR. CLAWSON: Have you examined this exhibit 17 and are you familiar with it? 18 TARIQ AHMAD: Yes, I have. 19 MR. CLAWSON: What is this exhibit and what 20 does it tell us? 21 TARIQ AHMAD: This exhibit, I got this from 22 the report done by the Utah Geological Survey. And 23 this report -- this map shows location of all of the 24 oil and gas fields in the southeast area of Utah, but 25 what it also shows, if you look at it closely, it</p> <p style="text-align: right;">Page 10</p>	<p>1 another hole and the same cement squeeze job failed, 2 so they had the same problem. 3 When we took over the field, we put a packer 4 in the hole to test the lower zones, but I don't 5 think that worked out too well. So now we are 6 pulling -- we pulled everything out. We're going to 7 do another cement squeeze in that well and try to put 8 it back online. It's not that the reservoir has 9 problems, it's the holes in the casing uphold. 10 The 3-19 is producing also from the Desert 11 Creek and Ismay formation. And it's -- it's 12 basically now doing about 5 to 6 barrels a day with 13 hardly any water production. 14 What we did was after we had studied this 15 field. We also operate a field next door to this. 16 It is called the Tin Cup field, which was discovered 17 by Marathon Oil Company. And in between, back in 18 2000, I think 2005-2005, Department of Energy had 19 given a grant to Utah Geological Survey to do a study 20 on algal mound fields in this area. And that study 21 basically stated that there is a lot of fields in 22 this area which will be abandoned unless something is 23 done. And they recommended drilling horizontal 24 wells, to -- to get additional oil from -- from the 25 same fields.</p> <p style="text-align: right;">Page 12</p>
<p>1 shows the trains of all the fields are going 2 northwest, southeast, and that's the general area 3 that we are interested in. 4 MR. CLAWSON: Could you please provide us 5 with a brief history of the Squaw County Field and 6 this development? 7 TARIQ AHMAD: Yeah, Squaw Canyon Field was 8 discovered in 1979 by using seismic, by MC Oil 9 Company, McCulloch Oil Corporation. The first well 10 drilled there was the Federal 1-19. It was tested in 11 the Desert Creek formation. When it came in, its 12 initial production rate was over 500 barrels a day. 13 There was no natural gas pipeline to the field at 14 that -- back at that time, so they had to compress 15 the gas and take it to -- by truck to some pipeline 16 area. 17 Thereafter, the additional wells were 18 drilled in the same area to delineate this field. 19 Most of the -- I think all the wells were plugged 20 except for the 3-19. But over the years, what's 21 happened is the 1-19 well had two holes in the 22 casing. And because of the holes in the casing, 23 they -- the previous operators, they cemented the 24 holes and put the well back in production and came 25 back online and did pretty well. But then they had</p> <p style="text-align: right;">Page 11</p>	<p>1 Most of the fields are just one well to ten 2 well fields, averaging between 700,000 and 2.5 3 million barrels in recoverable. And so based on the 4 Utah Geological Survey report and the Department of 5 Energy, we studied the fields and came to the same 6 conclusion that in order to increase the ultimate 7 recovery, you must drill horizontal wells. 8 MR. CLAWSON: Is the Snow -- or I mean, I'm 9 sorry, the Squaw Canyon field an algal mound feature? 10 TARIQ AHMAD: Yes. 11 MR. CLAWSON: Could you please explain the 12 general purpose behind today's spacing proceeding? 13 TARIQ AHMAD: Okay. The two wells which are 14 currently there, one is producing the 3-19 and the 15 1-19, after we looked at it, we saw what the -- how 16 much oil is in that area. The only way to increase 17 your ultimate recovery was to drill a horizontal 18 well. These -- this particular field is basically 19 producing from fractures. And with the vertical 20 well, you're not going to get the drainage that you 21 should be getting. We have had pretty good success 22 with Questar, for example, up in the Brandon Bottoms 23 area where we are partners with them, where they have 24 drilled a lot of horizontal wells in -- in basically 25 a very minimal stripper oil field and had great</p> <p style="text-align: right;">Page 13</p>

<p>1 success.</p> <p>2 So similarly, in this area, we feel that if</p> <p>3 we were to drill a horizontal well, he can drain both</p> <p>4 the upper Ismay and the Desert Creek from a single --</p> <p>5 single well bore with two laterals and take -- drain</p> <p>6 the whole 160 acres from -- from that one well. And</p> <p>7 at the same time, produce by gravity drainage, off</p> <p>8 the two well bores which are there.</p> <p>9 MR. CLAWSON: So MAR/REG intends to continue</p> <p>10 producing the vertical wells, even if it drills the</p> <p>11 horizontal well?</p> <p>12 TARIQ AHMAD: Yes, it does.</p> <p>13 MR. CLAWSON: And will you commingle the</p> <p>14 production, the horizontal well and the two different</p> <p>15 intervals, will you commingle that production?</p> <p>16 TARIQ AHMAD: Yes.</p> <p>17 MR. CLAWSON: Okay. Now I refer you to</p> <p>18 Exhibit No. 3.</p> <p>19 (Exhibit No. 3 was discussed.)</p> <p>20 MR. CLAWSON: Have you examined this exhibit</p> <p>21 and are you familiar with it?</p> <p>22 TARIQ AHMAD: I have.</p> <p>23 MR. CLAWSON: Can you please tell us what</p> <p>24 this shows?</p> <p>25 TARIQ AHMAD: This well shows the ownership</p> <p style="text-align: right;">Page 14</p>	<p>1 MR. CLAWSON: And -- and -- but who owns</p> <p>2 the -- the surface?</p> <p>3 TARIQ AHMAD: United States.</p> <p>4 MR. CLAWSON: Okay. Now, I would refer you</p> <p>5 to Exhibit 18.</p> <p>6 (Exhibit 18 was discussed.)</p> <p>7 TARIQ AHMAD: Yes, sir.</p> <p>8 MR. CLAWSON: Which is labeled ownership</p> <p>9 interests.</p> <p>10 TARIQ AHMAD: Right.</p> <p>11 MR. CLAWSON: Have you examined this exhibit</p> <p>12 and are you familiar with it?</p> <p>13 TARIQ AHMAD: I have and I am familiar with</p> <p>14 it.</p> <p>15 MR. CLAWSON: And -- and what does this</p> <p>16 exhibit tell us?</p> <p>17 TARIQ AHMAD: It tells us the ownership of</p> <p>18 Section 19.</p> <p>19 MR. CLAWSON: All of the ownership?</p> <p>20 TARIQ AHMAD: Yes.</p> <p>21 MR. CLAWSON: Who owns the -- the -- who are</p> <p>22 the leasehold owners in the northeast corner of</p> <p>23 Section 19?</p> <p>24 TARIQ AHMAD: The record title is owned by</p> <p>25 QEP Energy and Exxon Mobil, 50 percent. And the</p> <p style="text-align: right;">Page 16</p>
<p>1 with this -- this Exhibit shows the ownership in</p> <p>2 Section 19 and surrounding areas and what -- which</p> <p>3 section -- which parts are on lease, for example. In</p> <p>4 Section 19, the northwest quarter is unleased and so</p> <p>5 is the southeast quarter.</p> <p>6 The northeast and the southwest quarters are</p> <p>7 on the same lease. You --</p> <p>8 (School bell sounding.)</p> <p>9 (Clarification by court reporter.)</p> <p>10 THE WITNESS: I'm saying the northeast</p> <p>11 quarter and the southwest quarter are on the same</p> <p>12 lease and section land.</p> <p>13 MR. CLAWSON: And what is that lease number?</p> <p>14 TARIQ AHMAD: U40401.</p> <p>15 MR. CLAWSON: Who owns the minerals in --</p> <p>16 under the -- under the lease?</p> <p>17 TARIQ AHMAD: U.S. Government.</p> <p>18 MR. CLAWSON: And is the northeast quarter</p> <p>19 of Section 9, Township 25 East, Range 26 -- I mean,</p> <p>20 Township 25 South Ranch 26 East -- I'm saying this</p> <p>21 wrong.</p> <p>22 What -- can you give us the legal</p> <p>23 description of the subject lands?</p> <p>24 TARIQ AHMAD: Section 19, Township 38 South,</p> <p>25 Range 26 East.</p> <p style="text-align: right;">Page 15</p>	<p>1 operator rights are owned by Nathan Oil, LLC, and --</p> <p>2 75 percent, and QEP Energy, 25 percent.</p> <p>3 MR. CLAWSON: And is MAR/REG associated with</p> <p>4 Nathan Oil?</p> <p>5 TARIQ AHMAD: Yes, they're associated</p> <p>6 companies.</p> <p>7 MR. CLAWSON: And QEP Energy company owns</p> <p>8 the 25 percent working interest in the subject lands?</p> <p>9 TARIQ AHMAD: Yes.</p> <p>10 MR. CLAWSON: Or corroborating rights?</p> <p>11 TARIQ AHMAD: Yes.</p> <p>12 MR. CLAWSON: Does QEP support MAR/REG's</p> <p>13 request in spacing for the northeast quarter?</p> <p>14 TARIQ AHMAD: Yes. I have talked to QEP's</p> <p>15 Donald Chavez, and I sent him all the documents and I</p> <p>16 got their support for this.</p> <p>17 MR. CLAWSON: Is the northeast quarter</p> <p>18 subject to a voluntary pooling agreement?</p> <p>19 TARIQ AHMAD: It's subject to a joint</p> <p>20 operating agreement.</p> <p>21 MR. CLAWSON: And is that joint operating</p> <p>22 agreement Exhibit 16?</p> <p>23 TARIQ AHMAD: Yes, it is.</p> <p>24 MR. CLAWSON: Have you examined and are you</p> <p>25 familiar with Exhibit 16?</p> <p style="text-align: right;">Page 17</p>

<p>1 TARIQ AHMAD: Yes.</p> <p>2 MR. CLAWSON: And you've already testified,</p> <p>3 the BLM, or the Federal Government owns the surface</p> <p>4 of the federal lands.</p> <p>5 Who administers the minerals and that sort</p> <p>6 of thing?</p> <p>7 TARIQ AHMAD: The BLM.</p> <p>8 MR. CLAWSON: Okay. Now, I would refer you</p> <p>9 to Exhibit No. 17.</p> <p>10 (Exhibit No. 17 was discussed.)</p> <p>11 MR. CLAWSON: Okay. Is this the request for</p> <p>12 agency action that has been involved in this cause?</p> <p>13 TARIQ AHMAD: Yes.</p> <p>14 MR. CLAWSON: Towards the back of the</p> <p>15 request, there is a list of names and addresses.</p> <p>16 Is this a certificate of mailing for request</p> <p>17 for agency action?</p> <p>18 TARIQ AHMAD: Yes, it is.</p> <p>19 MR. CLAWSON: And what does it show?</p> <p>20 TARIQ AHMAD: It shows every entity that was</p> <p>21 sent a copy of this notice.</p> <p>22 MR. CLAWSON: So the owners, operators and</p> <p>23 surface owners for Section -- I mean, the northeast</p> <p>24 quarter section?</p> <p>25 TARIQ AHMAD: Yes.</p> <p style="text-align: right;">Page 18</p>	<p>1 Does the board have any objections?</p> <p>2 MR. JENSEN: I noticed when you were having</p> <p>3 some problems with that legal description on your</p> <p>4 Exhibit 3, you want to -- shall I read it in the</p> <p>5 record for you, Mr. Clawson?</p> <p>6 It needs to say Township 26 East, Range 38</p> <p>7 South at the top of the exhibit so that there's</p> <p>8 not -- not any misunderstanding.</p> <p>9 MR. CLAWSON: I thank you for that. That's</p> <p>10 helpful. I -- it's the township next to it is 25</p> <p>11 East, so I was reading through the townships.</p> <p>12 MR. JENSEN: So it should be Township 26</p> <p>13 East, Range 38 South.</p> <p>14 MR. CLAWSON: Exactly. Thank you.</p> <p>15 MR. JENSEN: Okay.</p> <p>16 CHAIRMAN JOHNSON: Well, I think it's</p> <p>17 showing the left side of the page is Township --</p> <p>18 MR. QUIGLEY: Twenty-five.</p> <p>19 CHAIRMAN JOHNSON: -- Range 25 East. And</p> <p>20 then the right-hand side is 26 East.</p> <p>21 MR. CLAWSON: Right.</p> <p>22 CHAIRMAN JOHNSON: Okay. Are there any</p> <p>23 objections?</p> <p>24 MR. JENSEN: I see -- I see what's</p> <p>25 happening.</p> <p style="text-align: right;">Page 20</p>
<p>1 MR. CLAWSON: And how did you determine</p> <p>2 which parties to include on that list?</p> <p>3 TARIQ AHMAD: That was from the state office</p> <p>4 for the Bureau of Land Management, and they had all</p> <p>5 the ownership records.</p> <p>6 MR. CLAWSON: Was the request for agency</p> <p>7 action mailed to everyone on this list?</p> <p>8 TARIQ AHMAD: Yes.</p> <p>9 MR. CLAWSON: Okay. Now I'd just refer you</p> <p>10 back to Exhibits 1, 2, 3, 16, 17 and 18.</p> <p>11 Are these documents that -- that are</p> <p>12 contained in MAR/REG's business files, or were they</p> <p>13 prepared by MAR/REG in connection with this</p> <p>14 proceeding or in the regular course of MAR/REG's</p> <p>15 business activities?</p> <p>16 TARIQ AHMAD: Yes.</p> <p>17 MR. CLAWSON: Okay. That's the end of my</p> <p>18 questions for Mr. Ahmad at this moment.</p> <p>19 I would move that Exhibits 1, 2, 3, 16, 17</p> <p>20 and 18 be admitted.</p> <p>21 CHAIRMAN JOHNSON: Mr. Donaldson?</p> <p>22 MR. DONALDSON: The Division does not object</p> <p>23 to the admission of the exhibits, however, we have</p> <p>24 some questions.</p> <p>25 CHAIRMAN JOHNSON: Okay.</p> <p style="text-align: right;">Page 19</p>	<p>1 MR. CLAWSON: Should be a line.</p> <p>2 CHAIRMAN JOHNSON: Yeah, a Township line,</p> <p>3 Range line.</p> <p>4 Okay. So Exhibits 1, 2, 3, 16, 17, 18 are</p> <p>5 admitted.</p> <p>6 Mr. Clawson?</p> <p>7 MR. CLAWSON: That's all the questions I</p> <p>8 have for this witness.</p> <p>9 CHAIRMAN JOHNSON: Okay. Mr. Donaldson?</p> <p>10 MR. DONALDSON: First of all I wanted to</p> <p>11 just ask, was Mr. Ahmad providing expert testimony?</p> <p>12 MR. CLAWSON: No, he's a fact witness.</p> <p>13 MR. DONALDSON: Okay.</p> <p>14 MR. CLAWSON: I didn't ask him any opinions.</p> <p>15 MR. DONALDSON: Okay. Then the staff</p> <p>16 members have some questions they want to pose to</p> <p>17 Mr. Ahmad.</p> <p>18 CHAIRMAN JOHNSON: Okay. Mr. Doucet?</p> <p>19 MR. DOUCET: Dustin Doucet, petroleum</p> <p>20 engineer for the division.</p> <p>21 I've got a few questions here. I had a</p> <p>22 question maybe you can clear up for me. On Exhibit 3</p> <p>23 and Exhibit 18, I think it shows that it's -- that</p> <p>24 the northeast quarter and the southwest quarter are</p> <p>25 one lease; is that correct?</p> <p style="text-align: right;">Page 21</p>

<p>1 TARIQ AHMAD: That's correct, yes. 2 MR. DOUCET: And I believe, Mr. Clawson, 3 didn't you say the only ownership in your opening 4 testimony was the northeast quarter that you guys 5 had? 6 MR. CLAWSON: That's correct. 7 MR. DOUCET: So you don't have the entire 8 lease? 9 TARIQ AHMAD: That's correct. 10 MR. DOUCET: Just a portion of the lease. 11 And that JOA is for the northeast quarter? 12 TARIQ AHMAD: That's correct. 13 MR. DOUCET: Okay. 14 MR. CLAWSON: Well, I -- 15 TARIQ AHMAD: At least. At least. 16 MR. DOUCET: On Exhibit 18, that difference 17 in ownership, the stratigraphic interval, 5612 -- 18 5612 feet, is that -- is the 5612 and below, is that 19 the Desert Creek or is everything included in that 20 upper interval? 21 TARIQ AHMAD: Everything is included above 22 5612. The way it was done was when the 1-19 was 23 drilled, it was drilled down to that depth. So they 24 earned everything to that point. 25 MR. DOUCET: Okay.</p> <p style="text-align: right;">Page 22</p>	<p>1 the lease or the well? 2 TARIQ AHMAD: No. 3 MR. HAROUNY: The -- the owner is 75 percent 4 Nathan Oil? 5 TARIQ AHMAD: That's correct. 6 MR. HAROUNY: And did you have any -- do you 7 have their consent in writing to proceed with this. 8 TARIQ AHMAD: I'm the managing partner of 9 Nathan Oil. I've given all of my consent. 10 MR. HAROUNY: Okay. But you have it as a 11 matter of documentation? 12 TARIQ AHMAD: You mean in the record? 13 MR. HAROUNY: Yes. 14 MR. CLAWSON: We haven't included it. 15 MR. HAROUNY: Since MAR/REG is not an owner? 16 MR. CLAWSON: Well, it's the operator, and 17 it's the designated operator by the owner. So it's 18 the party that has the right to produce and develop 19 it. 20 MR. HAROUNY: Develop the property. 21 But you see what I'm saying? There's a -- 22 MR. CLAWSON: Well, we haven't -- you know, 23 we haven't included all of the documentation that 24 draws the line in between the original parties and 25 MAR/REG as the operator.</p> <p style="text-align: right;">Page 24</p>
<p>1 MR. CLAWSON: I think as a matter of 2 clarification, are both the Upper Ismay and the 3 Desert Creek formation above 5612 in that? 4 TARIQ AHMAD: Yes. 5 MOBASHIR AHMAD: Yes. 6 MR. DOUCET: I think that's all the 7 questions I had. 8 MR. DONALDSON: No more questions for this 9 witness. 10 CHAIRMAN JOHNSON: Thank you, Mr. Donaldson. 11 Does the board have questions? 12 MR. HAROUNY: I have a couple questions for 13 Mr. Ahmad. 14 Mr. Ahmad, good to see you after so long. 15 The operating agreement is between MAR/REG as the 16 operator and who are the non operators? 17 TARIQ AHMAD: At this point, it's QEP 18 Energy. Questar. 19 MR. HAROUNY: Questar. 20 TARIQ AHMAD: And Nathan Oil. 21 MR. HAROUNY: So this operating agreement is 22 the original operating agreement, and you are pretty 23 much the successor operator? 24 TARIQ AHMAD: That's correct. 25 MR. HAROUNY: Is -- is MAR/REG an owner in</p> <p style="text-align: right;">Page 23</p>	<p>1 MR. HAROUNY: Correct. 2 MR. CLAWSON: But I can have my witness -- 3 MR. HAROUNY: The operating agreement 4 doesn't have MAR/REG's name, so -- 5 MR. CLAWSON: Correct. It's an old 6 operating agreement, but it covers the subject lines 7 and there's no dispute as to that. 8 TARIQ AHMAD: I'm pretty sure you're 9 familiar with it. When you operated for me, you 10 operated under Graham Energy. 11 MR. HAROUNY: Right. I understand. But the 12 records don't show that MAR/REG is the operator -- 13 the operating agreement doesn't show that MAR/REG is 14 the current operator. 15 MR. CLAWSON: Okay. Well, I think we can 16 correct that with his testimony. 17 MR. HAROUNY: I'm just trying to get the 18 record straight. 19 The -- I had another question, but that had 20 to do with the stratigraphic equivalent. Is there 21 a -- a analog log well or a well or equivalent to a 22 certain geological formation for that -- for the 23 depth limitation? 24 TARIQ AHMAD: You mean the 5612? 25 MR. HAROUNY: Uh-huh.</p> <p style="text-align: right;">Page 25</p>

<p>1 TARIQ AHMAD: That's the bottom of the 2 Desert Creek. That's when they drill through it, 3 that's when they hit the TD, and that's with the -- 4 they earned the rights. 5 MR. HAROUNY: Does it say to the base of 6 Desert Creek? 7 MR. CLAWSON: No. No. It's a specific -- 8 the spaced interval, which is a fine permit. 9 MR. HAROUNY: It's a specific depth. 10 MR. CLAWSON: Are you talking about the 11 assignment? 12 MR. HAROUNY: I'm talking about if the 13 location of the new well ends up being on top of a 14 mountain, does he get to the base of Desert Creek or 15 not? 16 TARIQ AHMAD: Okay. I understand what 17 you're saying. It's a specific depth. It -- the 18 assignments -- that's a really good question. The 19 assignments for -- to a specific depth, and we are 20 going to be drilling. And it's a couple hundred feet 21 below that particular zone. And the 3-19, for 22 example, which is the well, I think, directly 23 northeast of the 1-19, it is about 300 feet above on 24 the side a mountain. 25 MR. HAROUNY: So that's what I'm trying</p> <p style="text-align: right;">Page 26</p>	<p>1 TARIQ AHMAD: Well, I think I can answer 2 your question. 3 MR. HAROUNY: Okay, I'm just -- 4 TARIQ AHMAD: I just read this again, and 5 the way this is written, there's a stratigraphic 6 interval on the surface of 5612. So whatever that 7 interval is at 5612, you can correlate it on 8 geologic -- I mean log wise to another section. I 9 mean, it's a marker and -- and it can't be that 10 difficult to correlate. 11 MR. HAROUNY: The markers usually say 12 equivalent to Section 5612 and -- 13 TARIQ AHMAD: No, stratigraphic intervals. 14 So that geologically would mean a specific interval 15 at that depth, whatever is that equivalent in that -- 16 in that quarter section, whatever -- wherever we did 17 drill, we can have that equivalency on the other 18 wells. It's not on the surface -- 19 MR. HAROUNY: For -- 20 TARIQ AHMAD: I know what you're saying. 21 You're saying if the depth was 500 feet off, you 22 would miss the whole thing. But if it's -- since the 23 assigning says stratigraphic interval, that is fine, 24 then the -- it can be adjusted for that depth. 25 MR. HAROUNY: I have no other question.</p> <p style="text-align: right;">Page 28</p>
<p>1 to -- 2 TARIQ AHMAD: Right. 3 MR. HAROUNY: All I see here is a specific 4 number, no equivalency, no to the base of such and 5 such formation. 6 MR. CLAWSON: I -- I -- I appreciate your 7 line of questioning, but I'm not sure that it's 8 actually germane to the spacing proceeding. Because 9 we're talking about a very specific interval in the 10 Desert Creek formation, which is above, you know, I 11 don't know how high. We will have testimony as to 12 the stratigraphic units, but -- but the ownership 13 beneath -- we're talking about two zones. 14 MR. HAROUNY: Correct. 15 MR. CLAWSON: The Upper Ismay and the Desert 16 Creek, and they're both defined in the agency action, 17 and that's what we're asking for to space. We're not 18 dealing with anything below the Desert Creek 19 interval. So the assignments and the ownership 20 interests beneath these stratigraphic intervals may 21 be important to MAR/REG and its dealings with its 22 partners and whatnot in terms of what it can earn and 23 that type of affair, but it's not really part of -- 24 we're not asking that the board do anything 25 beneath --</p> <p style="text-align: right;">Page 27</p>	<p>1 CHAIRMAN JOHNSON: Other questions for 2 Mr. Ahmad? 3 (No response). 4 Okay. Thank you. 5 Mr. Clawson? 6 MR. CLAWSON: I'd like to ask a few 7 questions on redirect. 8 CHAIRMAN JOHNSON: Go ahead. 9 MR. CLAWSON: Just to clarify the record. 10 You previously testified that Nathan Oil, 11 LTD, owns the minerals beneath the subject lands? 12 TARIQ AHMAD: It's Nathan Oil, LLC. 13 MR. CLAWSON: LLC? 14 TARIQ AHMAD: Yes, sir. 15 MR. CLAWSON: Oh, I'm sorry. What is the 16 relationship in between Nathan Oil and MAR/REG? 17 TARIQ AHMAD: They are related companies. I 18 am the managing partner of Nathan Oil. 19 MR. CLAWSON: And is MAR/REG the designated 20 operator for these two -- well, for Nathan Oil's 21 interest within the subject lands? 22 TARIQ AHMAD: Yes, it is. 23 MR. CLAWSON: Okay. So that's all the 24 questions I have on redirect. 25 CHAIRMAN JOHNSON: Okay. Thank you,</p> <p style="text-align: right;">Page 29</p>

<p>1 Mr. Ahmad and Mr. Clawson. 2 Go ahead. 3 MR. CLAWSON: Thank you. Now I'd like to 4 call my second witness. 5 Would you please state your name and address 6 for the Board? 7 MOBASHIR AHMAD: Mobashir Ahmad, 12805 8 Thomas Creek Road, Reno, Nevada 89501. 9 MR. CLAWSON: What is your affiliation with 10 MAR/REG. 11 MOBASHIR AHMAD: I'm a full-time employee of 12 Pacific Engineering and Mining, and MAR/REG is an 13 affiliated company. 14 MR. CLAWSON: And are you here today in the 15 capacity of a consulting geologic petroleum 16 geologist? 17 MOBASHIR AHMAD: Well, I am an employee of 18 Pacific Engineering, so I'm in the field and -- yes, 19 I guess. 20 MR. CLAWSON: So you're petroleum -- 21 MOBASHIR AHMAD: Yes, correct. 22 MR. CLAWSON: Could you please tell us -- 23 well, what are your principal responsibilities in 24 that capacity? 25 MOBASHIR AHMAD: Basically, what I do is I</p> <p style="text-align: right;">Page 30</p>	<p>1 he's -- 2 MR. CLAWSON: That's what I'm trying to do. 3 MR. JENSEN: Yeah, I -- well, do you need to 4 get into this to get him to qualify? It seems to me 5 you've probably got to qualify him on something else 6 and then let him go. 7 MR. CLAWSON: Well, typically, an expert 8 witness is qualified to testify as an expert based on 9 education and/or experience. 10 MR. JENSEN: Well, before you get into 11 this -- that's where I'm going. Before you get into 12 this specific issue as here, it seems to me, I think 13 you're about there, maybe you just ought to move to 14 have him qualified, be treated as an expert witness. 15 MR. CLAWSON: That was actually my next 16 question. 17 MR. JENSEN: Okay. Thanks. 18 MR. CLAWSON: What I wanted to do, I mean, 19 first of all -- 20 MR. JENSEN: I'm clairvoyant. 21 MR. CLAWSON: Okay. He -- he has worked as 22 a petroleum geologist in the industry for 30 years. 23 And based on that, he's an expert in the field. I 24 also generally like to provide some foundation for 25 his testimony when it comes to the Squaw Canyon</p> <p style="text-align: right;">Page 32</p>
<p>1 look at mainly oil fields that have problems in this 2 geographic columns and look at the vent logs 3 extensively to see what volumes that existed and to 4 remedy such problems. That's one of my jobs that 5 concerns this testimony. 6 MR. CLAWSON: Okay. Could you please 7 briefly run through your education and experience? 8 MOBASHIR AHMAD: Yeah, I have my bachelor's 9 in geophysical engineering at Colorado School of 10 Mines in 1983. 11 COURT REPORTER: I'm sorry. Could you slow 12 down just a little bit? 13 MOBASHIR AHMAD: My bachelor's is in 14 geophysical engineering from Colorado School of Mines 15 in 1983. And I have a master's in metallurgical 16 engineering from MacKay School of Mines, University 17 of Nevada, Reno, 2000. And basically, I've worked in 18 the oil and gas industry since basically in college, 19 but full-time since like 1986. 20 MR. CLAWSON: Are you familiar with the 21 Squaw Canyon Field in the Upper Ismay and Desert 22 Creek Reservoir? 23 MOBASHIR AHMAD: Yes, I am. 24 MR. JENSEN: May I ask, doesn't he -- 25 doesn't he need to be qualified as an expert since</p> <p style="text-align: right;">Page 31</p>	<p>1 Field, and that was the nature of that last question 2 I asked. 3 I'm not really asking -- I'm -- I mean, I'm 4 not going to ask that he be qualified as an expert in 5 the Squaw Canyon Field, it's going to be more 6 general. 7 MR. JENSEN: Okay. 8 MR. CLAWSON: But I -- I appreciate that. 9 That was actually my next question. 10 MR. JENSEN: Thank you. 11 MR. CLAWSON: I'd ask the Board recognize 12 Mr. Ahmad as an expert for purposes of geology and 13 geological interpretations for purposes of today's 14 hearing. 15 CHAIRMAN JOHNSON: Mr. Donaldson? 16 MR. DONALDSON: We would like some more 17 information about Mr. Ahmad's petroleum geology 18 experience before we -- I mean -- 19 CHAIRMAN JOHNSON: Do you have any specific 20 questions, Mr. Donaldson? 21 MR. DONALDSON: Yes, could you -- could you 22 discuss your petroleum geology experience? 23 MOBASHIR AHMAD: Yes. I've worked for -- 24 actually, Kaplinger & Associates was my position, and 25 there we managed and assessed research for</p> <p style="text-align: right;">Page 33</p>

<p>1 third-party clients, including Minoco and Minson Oil 2 Company. 3 And thereafter, like I said, since 1986, 4 I've been working for Pacific Energy & Mining 5 Company. So not all of those years were in petroleum 6 engineering. Some of them was -- were in mining 7 engineering. I'm a registered mining engineer in 8 Pakistan. I'm an environmental manager in the state 9 of Nevada. 10 But as far as petroleum is concerned, we 11 have also worked on the Cisco field, the Tin Cup Mesa 12 Field, and currently, I'm working on the Delta 13 Petroleum Green Town -- Green River Field. 14 So if you have any specific questions 15 that -- that you'd like an answer, like -- 16 MR. DONALDSON: Could you discuss a little 17 bit the type of work you do specifically, in terms of 18 petroleum geology, or you have done? 19 MOBASHIR AHMAD: Yeah. Basically, what I 20 look at, and what I have done is look -- I look at 21 the old oil fields is my main concern. And 22 basically, what I look at there is what has the other 23 company done wrong, for example, and what areas they 24 have missed, what lateral continuity there is, and 25 that's about it.</p> <p style="text-align: right;">Page 34</p>	<p>1 Upper Ismay and the Desert Creek formations in the 2 vicinity of the Squaw Canyon Field? 3 MOBASHIR AHMAD: The Upper Ismay and Desert 4 Creek are part of the Paradox Basin, which was 5 basically formed around 300 million years ago with 6 continental collisions between North America and 7 maybe South America and Africa, or a mid-continental 8 collision. Thereafter, the old ancestor Rockies 9 uplifted and the Paradox Basin was born through such 10 sites. 11 And there are basically two parts of the -- 12 of this particular basin. And we are concerned with 13 our fields, is in the planning sub basin. And this 14 particular field is right at the boundary line 15 between the north -- northeastern part and the 16 southwestern part. And the northeastern part is the 17 Upper Ismay formation -- producing formations, and 18 the southwestern part is the Desert Creek. So this 19 is like a critical junction. 20 But as far as Upper Ismay is concerned, the 21 basic algal mound, shallow sea formations, and Desert 22 Creek is basically near shore linear features. 23 There -- and essentially, other than that, if you are 24 in Upper Ismay and Desert Creek, what can I say? 25 Upper Ismay is basically mostly limestone with some</p> <p style="text-align: right;">Page 36</p>
<p>1 MR. CLAWSON: Do you examine well lots? 2 THE WITNESS: Yes, I do. 3 MR. CLAWSON: Do you examine geological 4 maps? 5 MOBASHIR AHMAD: Yes. 6 MR. CLAWSON: Do you do geological 7 interpretation? 8 THE WITNESS: Yes, I do. 9 MR. DONALDSON: Okay. We don't have any 10 objection. 11 CHAIRMAN JOHNSON: Does the board have any 12 questions or objections? 13 (No response.) 14 Okay. Then we will recognize Mr. Ahmad as 15 an expert as you have requested for purposes of the 16 hearing. 17 MR. CLAWSON: Okay. Thank you very much. 18 Now I would refer you to Exhibit No. 4. Are 19 you -- have you examined this exhibit and are you 20 familiar with it? 21 (Exhibit 4 was discussed.) 22 MOBASHIR AHMAD: Yes, I have. Exhibit 4 is 23 a reference section. And that is, again, from the 24 final report of Utah Geological Survey. 25 MR. CLAWSON: Could you please describe the</p> <p style="text-align: right;">Page 35</p>	<p>1 variation of dolomite and limestone. And the Desert 2 Creek is mostly dolomite. And I can give you some 3 averages. Like, it's not exactly limestone. 4 Like, you know, our particular 1-19, the 5 three initial zones that are producing. The first 6 zone, I should not go into depth, it's 11 feet. The 7 second zone is six feet. The third zone is six feet. 8 And there is some interpretation as to exactly, you 9 know, that the discrimination of the said zones. 10 But the top zone is like 76 percent 11 dolomite, balance is limestone. So I don't need to 12 mention that. Second zone is 37 percent dolomite, 13 and the bottom zone is 74 percent dolomite. So these 14 are not entirely homogeneous formations. They are 15 somewhat mixed formations. With how we define the 16 producing zone is through basic porosity and 17 permeability. And the bottom of Desert Creek is 18 basically -- it's both of these formations are 19 separated by an impermeable layer and hydrite. So 20 then they are both considered separate zones. And 21 that's about it. 22 MR. CLAWSON: When you are talking about 23 these zones, are -- have you examined the request for 24 agency action? 25 MOBASHIR AHMAD: Yes, I have.</p> <p style="text-align: right;">Page 37</p>

<p>1 MR. CLAWSON: And when you're talking about 2 these separate zones, are these the same as the 3 spaced intervals that are described in the request 4 for agency action? 5 MOBASHIR AHMAD: Yes, they are. 6 MR. CLAWSON: Okay. 7 MOBASHIR AHMAD: I can give you the, you 8 know, the depths and information. 9 MR. CLAWSON: Well, you can -- if -- to save 10 time, I mean, I think we can just do it by reference 11 to the request for agency action. 12 MOBASHIR AHMAD: I would like to clarify 13 though one thing. 14 MR. CLAWSON: Okay. Well then do that. 15 MOBASHIR AHMAD: That was our board member's 16 question, Mr. Jake's. For agency action, we are 17 requesting properties being from about 5250 to 5400 18 kelly bushing. And kelly bushing is technically 19 aboveground, so that makes it basically 5240 to 5390, 20 which is -- which basically -- let me make sure this 21 is correct -- which is basically minus 234 to minus 22 384 sea level. Okay? This is for the Upper Ismay. 23 As far as the Desert Creek is concerned, the 24 agency action was 5480 to 5580 kelly bushing. Again, 25 10 feet difference is 5470 to 5470 -- yeah -- to</p> <p style="text-align: right;">Page 38</p>	<p>1 There is basically a seal between -- or on 2 both the formations so the oil does not escape, and 3 the oil originates from the shale. 4 MR. CLAWSON: So your -- so the two 5 different intervals are separate and distinct? 6 MOBASHIR AHMAD: Correct. 7 MR. CLAWSON: Okay. Now, I'd refer you to 8 Exhibit No. 10. 9 (Exhibit 10 was discussed.) 10 Have you exhibit -- Exhibit 10, are you 11 familiar with it? 12 MOBASHIR AHMAD: Yes. 13 MR. CLAWSON: Could you please describe this 14 exhibit for -- for the board? 15 MOBASHIR AHMAD: Exhibit 10 is basically, 16 let's say, Upper Ismay carbonate structure map that 17 tells you the sea level depths and how far below sea 18 level most of the Upper Ismay is below the said -- we 19 are looking at Section 19, and the scale on it can be 20 found not very easily, but the quarter section is 21 right in the center. So that's 2640, or whatever 22 half of 5280 is, I think it is. 23 And -- let's see, it also shows the proposed 24 location. It shows you the concerned wells, 1-19, or 25 19-1 and 3-19. It incorrectly shows the 1019</p> <p style="text-align: right;">Page 40</p>
<p>1 5570. Excuse me. And the sea level depths are 464 2 to 564 below sea level. So that should clarify the 3 exact intervals. 4 MR. CLAWSON: Okay. Are there any other 5 important parameters about the spaced intervals, the 6 Upper Ismay and the Desert Creek, that you wish to 7 discuss? You had talked about porosity. 8 MOBASHIR AHMAD: Yeah, the porosity is 9 basically, in the Upper Ismay, the average porosity 10 is around 14 percent. And the permeability in the 11 same formation varies all over the place. You go 12 from test -- let's say point half percent to -- or 13 immediate arrivals to four, five. But the average 14 calculation was like 1.4 and that's like in reference 15 to calculation. I think everything is submitted on 16 the exhibits. The permeability of the Desert Creek 17 is around 16 percent. And let's see. What else? 18 MR. CLAWSON: Percent or -- 19 TARIQ AHMAD: You mean the porosity is 16 20 percent. 21 MOBASHIR AHMAD: Yes, correct. Oh, excuse 22 me. The permeability is definitely not. 23 Other than that, let me do bring in one 24 thing, so this will clarify. You wanted to see what 25 the -- what the differentiated --</p> <p style="text-align: right;">Page 39</p>	<p>1 Federal -- it calls it the Chambers. That's not 2 called the Chambers on the DOGN. It's called Squaw 3 Canyon Federal 1019 and it shows as a producing well, 4 all production. This was plugged and abandoned. 5 It also shows McCulloch 19-2, and that's -- 6 I think that's -- yeah, that is -- it's Federal 19-2 7 now, and that is also a plugged and dry well. 8 And what it does not show is the Three 9 Amigos well. And Three Amigos well is somewhere, if 10 you draw -- well, let's see. Federal 19-2 is 150 11 feet from the north line, and Three Amigos is 715 12 feet from the north line. And it's -- if you connect 13 a line between 19-2 and 3-19, it should be somewhere 14 along -- along that line. And that was also a dry 15 hole. 16 MR. JENSEN: That would be to the east then 17 on that -- 18 MOBASHIR AHMAD: Yes. 19 CHAIRMAN JOHNSON: Let's -- let's back up a 20 little bit here. 21 MOBASHIR AHMAD: Okay. 22 CHAIRMAN JOHNSON: Okay. First of all, 23 where did this map come from? 24 MOBASHIR AHMAD: Oh, this comes from 25 Marathon and McCulloch Oil Company.</p> <p style="text-align: right;">Page 41</p>

<p>1 CHAIRMAN JOHNSON: Okay.</p> <p>2 MOBASHIR AHMAD: And this is --</p> <p>3 CHAIRMAN JOHNSON: And is it a portion of a</p> <p>4 larger map?</p> <p>5 MOBASHIR AHMAD: Yes, it is.</p> <p>6 CHAIRMAN JOHNSON: And do you know the name</p> <p>7 of the larger map that it came from?</p> <p>8 MOBASHIR AHMAD: This is their internal</p> <p>9 study. It's not for publication, but we can send you</p> <p>10 a record if you wish.</p> <p>11 CHAIRMAN JOHNSON: Okay. Now, the -- the</p> <p>12 Chambers 16-18 Federal well that is in the northeast</p> <p>13 portion of this map.</p> <p>14 MOBASHIR AHMAD: Yeah, Squaw Canyon.</p> <p>15 CHAIRMAN JOHNSON: You say that's</p> <p>16 incorrectly identified?</p> <p>17 MOBASHIR AHMAD: No. No. That's -- there's</p> <p>18 six -- there's six -- the -- that's -- these things</p> <p>19 are labeled incorrectly. Okay? There's no such</p> <p>20 thing as Chamber 16-18 upon the records. It's called</p> <p>21 Squaw Canyon Federal 16-18.</p> <p>22 MR. CLAWSON: Go slow.</p> <p>23 MOBASHIR AHMAD: All right.</p> <p>24 CHAIRMAN JOHNSON: Okay. So the -- so the</p> <p>25 Chamber 1618 Federal well on the northeast part of</p> <p style="text-align: right;">Page 42</p>	<p>1 COURT REPORTER: I'm sorry. 1-19 and 3-19,</p> <p>2 and what did you say after that?</p> <p>3 MOBASHIR AHMAD: What -- my interest in this</p> <p>4 thing, this is outside our quarter section, is to</p> <p>5 establish continuity between Squaw Canyon 1-19 and</p> <p>6 3-19. These numbers have been transposed. And quite</p> <p>7 often, in the DOGM records, a lot of older wells are</p> <p>8 transposed.</p> <p>9 MR. CLAWSON: Mr. Chairman, for purposes of</p> <p>10 clarifying the record, can I ask him some questions?</p> <p>11 CHAIRMAN JOHNSON: Yes. I would appreciate</p> <p>12 that.</p> <p>13 MR. CLAWSON: Okay. Let's go back to the</p> <p>14 beginning.</p> <p>15 MOBASHIR AHMAD: Okay.</p> <p>16 MR. CLAWSON: Looking at Exhibit No. 10,</p> <p>17 is -- is this a map of subject Section 19?</p> <p>18 MOBASHIR AHMAD: Yes.</p> <p>19 MR. CLAWSON: And are the subject lands, the</p> <p>20 northeast quarter of Section 19, where we see the</p> <p>21 3-19 Fed and the McCulloch 19-1?</p> <p>22 MOBASHIR AHMAD: Yes.</p> <p>23 MR. CLAWSON: Okay. Is this a record that</p> <p>24 is part of MAR/REG's business files?</p> <p>25 MOBASHIR AHMAD: Yes.</p> <p style="text-align: right;">Page 44</p>
<p>1 the map --</p> <p>2 MOBASHIR AHMAD: Uh-huh.</p> <p>3 CHAIRMAN JOHNSON: -- is actually the Squaw</p> <p>4 Canyon?</p> <p>5 MOBASHIR AHMAD: Correct.</p> <p>6 CHAIRMAN JOHNSON: Squaw Canyon, what</p> <p>7 number?</p> <p>8 MOBASHIR AHMAD: Hang on. This should be --</p> <p>9 MR. HAROUNY: Which well is that?</p> <p>10 CHAIRMAN JOHNSON: This one.</p> <p>11 MOBASHIR AHMAD: Oh, I only have two here,</p> <p>12 which is, let's see, make sure this DD 5605. I don't</p> <p>13 think there is such a -- there is some -- yes. I</p> <p>14 cannot locate that according to my -- according to my</p> <p>15 records. Yeah, I have another summary sheet, which</p> <p>16 is Exhibit 19.</p> <p>17 MR. CLAWSON: Well, we haven't gotten to</p> <p>18 that yet.</p> <p>19 MOBASHIR AHMAD: Okay. And in Section 18,</p> <p>20 we have two wells, one of which is in the -- let's</p> <p>21 see -- I do not see Chamber 1618 anywhere. But</p> <p>22 that's outside the subject matter, and we're not</p> <p>23 really handling that. The only thing we're concerned</p> <p>24 about in this particular -- or in my testimony is</p> <p>25 between 1-19 and 3-19.</p> <p style="text-align: right;">Page 43</p>	<p>1 MR. CLAWSON: Where did MAR/REG get this</p> <p>2 from?</p> <p>3 MOBASHIR AHMAD: This is an internal memo</p> <p>4 for Marathon Oil and McCulloch Oil Company.</p> <p>5 MR. CLAWSON: So it was generated by those</p> <p>6 two companies?</p> <p>7 MOBASHIR AHMAD: Correct.</p> <p>8 MR. CLAWSON: And do you know how they</p> <p>9 generated it?</p> <p>10 MOBASHIR AHMAD: They generated it through</p> <p>11 the -- the -- the depths that they found when they</p> <p>12 were drilling the wells, and it is pretty much</p> <p>13 correct to our side. This is the porosity structure</p> <p>14 of the Upper Ismay.</p> <p>15 MR. CLAWSON: So you have examined the</p> <p>16 evidence that's presented to the extent that you have</p> <p>17 in your possession -- MAR/REG has in its</p> <p>18 possession -- you have examined the evidence that's</p> <p>19 portrayed on this map, and it conforms to your</p> <p>20 interpretation?</p> <p>21 MOBASHIR AHMAD: Yes. Especially -- except</p> <p>22 for this well, as you have noticed, there's no depth</p> <p>23 written for the porosity on this.</p> <p>24 MR. CLAWSON: Okay. When you say "this</p> <p>25 well," what well are you talking about?</p> <p style="text-align: right;">Page 45</p>

<p>1 MOBASHIR AHMAD: The 16-18. 2 MR. CLAWSON: And that's in the upper 3 right-hand corner? 4 MOBASHIR AHMAD: Right. Section 18. 5 MR. CLAWSON: Okay. Is this a map of the 6 Squaw Canyon Field. 7 MOBASHIR AHMAD: Yes, it is. 8 MR. CLAWSON: Are there any -- well, you -- 9 you briefly just testified a little -- do you know 10 the vintage of this map? 11 MOBASHIR AHMAD: I think it was 1980, early 12 '80s. 13 MR. CLAWSON: And when you compare well 14 numbers from records going back to 1980 and bring 15 them forward, is it -- is it -- does it happen that 16 the numbers are transposed? 17 MOBASHIR AHMAD: Often. 18 MR. CLAWSON: Do you find that going on on 19 this map? 20 MOBASHIR AHMAD: Yes. Let me cover the -- 21 we have basically six wells on this -- on this 22 particular map. Five have been correlated as to 23 their depths. That is -- let's see. This is 19-1. 24 And that is -- that's correlated with our records. 25 Then I will just be -- first one is instead</p> <p style="text-align: right;">Page 46</p>	<p>1 And the only one that's left over is this 2 unknown 16-18; however, we do have two wells in 3 Section 18. One is in the southeast corner of the 4 southwest quarter, and the other is in the northwest 5 corner of the southwest quarter. 6 And both of these were essentially dry 7 holes. Oh, one location is abandoned. Excuse me. 8 MR. CLAWSON: So on this Exhibit 10, the 9 Chambers 16-18 well that's plotted on this map 10 doesn't show up in the divisions records. 11 MOBASHIR AHMAD: Just give me one second. 12 Let me just -- 13 MR. CLAWSON: Is that right? 14 MOBASHIR AHMAD: Let me just verify here. 15 The closest well that I have on my records is 16 820 feet from the south line, 2140 feet from the west 17 line. So obviously, that's not the same well. 18 MR. CLAWSON: So -- so going back to my 19 question. Southeast. 20 MOBASHIR AHMAD: Okay. That's correct. So 21 the proper name is Squaw Canyon Federal 16-18. 22 MR. CLAWSON: Okay. 23 MOBASHIR AHMAD: Okay. My fault. I had it 24 marked. And that was marked and abandoned. 25 MR. HAROUNY: Which one was --</p> <p style="text-align: right;">Page 48</p>
<p>1 of McCulloch 19-1, that's Squaw Canyon 1-19. 2 MR. CLAWSON: And where is that? 3 MOBASHIR AHMAD: This is in the southwest -- 4 southeast corner of -- of -- of off the quarter 5 section of the subject lands. 6 CHAIRMAN JOHNSON: So southeast of the 7 northeast. 8 MR. CLAWSON: (Nods head.) 9 MOBASHIR AHMAD: Yes. Yeah, the subject 10 land in this question is northeast. Then going down, 11 we have Federal 3-19. It's written as McCord 12 (phonetic) 3-19. That is Federal 3-19. 13 MR. CLAWSON: And that's located -- 14 MOBASHIR AHMAD: In -- yes -- on the 15 northwest corner of the northeast quarter. 16 MR. CLAWSON: Okay. 17 MOBASHIR AHMAD: And then McCulloch 19-2 is 18 Federal 19-2, and that is in the central portion of 19 the northwest quarter. 20 And then Chambers 10-19, which is in the 21 south central part of the southeast quarter, is 22 property known as Squaw Canyon Federal 10-19. 23 And then in Section 18, south central is 24 McCord called federal 1-18, and that is -- property 25 name is Tin Cup Federal 1-19.</p> <p style="text-align: right;">Page 47</p>	<p>1 MOBASHIR AHMAD: The Chambers 16-18, the 2 proper name is Squaw Canyon Federal 16-18. And this 3 was plugged and abandoned as marked, but had a slight 4 gassier in the Upper Ismay. 5 MR. CLAWSON: So having clarified this 6 exhibit and corrected some of the labeling issues, 7 can you please tell us the importance of this map? 8 MOBASHIR AHMAD: This basically shows you 9 the depths to the Upper Ismay porosity -- zones of 10 porosity. And it's -- it's -- it's correct mostly, 11 except for establishes some continuity between 19- -- 12 I will read it to expedite matters as it's labeled on 13 the map so you can follow it. 14 MR. CLAWSON: That would be useful. 15 MOBASHIR AHMAD: The -- the continuity 16 structure that's showing would be McCord 3-19 and 17 McCord -- Tin Cup Federal 1-18 does not really exist. 18 CHAIRMAN JOHNSON: Does -- say that again. 19 MOBASHIR AHMAD: What this map is showing is 20 the above sea level, right, with the negative depths 21 to the Upper Ismay porosity structure as determined 22 in the early '80s by Marathon and McCulloch. 23 The depths written to the porosity zones are 24 correct; however, some of the continuity that is 25 shown may not exist, especially between 3-19, McCord,</p> <p style="text-align: right;">Page 49</p>

<p>1 and McCord Tin Cup Federal 1-18. 2 MR. JENSEN: How can you say that? What's 3 your basis? 4 MOBASHIR AHMAD: What's my basis? The quite 5 evident basis is in the dry hole. 6 MR. JENSEN: The Tin Cup 1-18? 7 MOBASHIR AHMAD: Yes. 8 CHAIRMAN JOHNSON: Mr. Clawson, what's the 9 purpose of this exhibit? 10 MR. CLAWSON: I would say it's to show the 11 structural area extent of the algal mound. 12 CHAIRMAN JOHNSON: But Mr. Ahmad is just 13 saying he doesn't agree with you. 14 MR. CLAWSON: He doesn't agree with the -- 15 CHAIRMAN JOHNSON: The continuity. 16 MR. CLAWSON: We're clarifying something. 17 MR. HAROUNY: He doesn't agree with the 18 names either. 19 MR. CLAWSON: Well, no. The names do 20 change. 21 MR. HAROUNY: This map doesn't show any 22 continuity. 23 MOBASHIR AHMAD: This just shows the -- this 24 is basically showing the structural relationship of 25 the formations, but it does correlate it to the</p> <p style="text-align: right;">Page 50</p>	<p>1 all that familiar with the nature of this clay 2 concept. 3 MOBASHIR AHMAD: Essentially, what we are 4 trying to establish and the reason for us to come in 5 front of the board is that we believe there is 6 continuity in the northeast quarter of the section, 7 looking for the algal mounds. Or especially in the 8 Upper Ismay, and possibly -- and -- at least from our 9 lots, in the Desert Creek. 10 Now, just because a structure is laid, it 11 also matters where the source rocks are, if there is 12 a cap rock on top, they've got the oldest ones 13 standing. Especially, those algal mounds are not 14 very extensive features. They would start and 15 finish. 16 MR. CLAWSON: Let me interrupt you there. 17 Would you please tell the board what an algal mound 18 is? 19 MOBASHIR AHMAD: An algal mound is an air 20 shore feature that is -- that is left over after -- 21 after the deposition. And that's -- 22 MR. CLAWSON: Are they -- are they -- 23 MOBASHIR AHMAD: They are hold straws. 24 MR. CLAWSON: I'm sorry? 25 MOBASHIR AHMAD: They're hold straws, but in</p> <p style="text-align: right;">Page 52</p>
<p>1 porosity zones in the Upper Ismay. 2 MR. HAROUNY: Okay. But the dry hole is on 3 the other side of the productive porosity zone. 4 THE WITNESS: Yeah, it shows you the depth 5 of the projected structure, like minus 329 feet below 6 sea level. But the only thing I am referring to, and 7 maybe it's the confusion, is even though the porosity 8 zone exists there, there is no oil there because that 9 is a dry hole. That is what I say. 10 MR. CLAWSON: So just to clarify, the map is 11 accurate in terms of porosity, but that doesn't 12 necessarily mean that there's oil there? 13 Does that help? 14 MR. JENSEN: I hear. I just don't know what 15 it means. And I explained in general, relative -- 16 relative to your request. 17 MOBASHIR AHMAD: It's irrelevant, actually. 18 MR. CLAWSON: Your statement is irrelevant? 19 MOBASHIR AHMAD: Correct. 20 MR. CLAWSON: Your correlation per your 21 testimony is irrelevant. 22 MOBASHIR AHMAD: Correct. 23 MR. CLAWSON: But I think we need to step 24 back a bit and establish what an algal mound is, 25 because some of the members of the board may not be</p> <p style="text-align: right;">Page 51</p>	<p>1 the oil company or someplace else, they will 2 regain -- 3 MR. CLAWSON: Are they a blanket sheet 4 sediment? 5 MOBASHIR AHMAD: Not necessarily, no. 6 They're discontinuous features. Semi-continuous. 7 MR. CLAWSON: Are they limited? 8 MOBASHIR AHMAD: Yes. 9 MR. CLAWSON: Are -- are they small 10 features? 11 MOBASHIR AHMAD: Yes. 12 MR. CLAWSON: Isn't Squaw Canyon Field a 13 small feature? 14 MOBASHIR AHMAD: Yes, it is. 15 MR. CLAWSON: If it's a small feature, is -- 16 is it -- well -- so based on Exhibit 10, and your 17 analysis of the records and -- and this map, does 18 this give a picture of the aerial extent of -- of the 19 productive or the possible productive zone in the 20 Desert Creek formation? 21 MOBASHIR AHMAD: Yes, it does. 22 MR. CLAWSON: For -- in the spaced 23 intervals? 24 MOBASHIR AHMAD: Yes. 25 MR. CLAWSON: Testifying on the request for</p> <p style="text-align: right;">Page 53</p>

<p>1 action?</p> <p>2 MOBASHIR AHMAD: Yes.</p> <p>3 MR. CLAWSON: Is that the general purpose of</p> <p>4 this?</p> <p>5 MOBASHIR AHMAD: Yes, it is.</p> <p>6 MR. CLAWSON: Does that help?</p> <p>7 MR. HAROUNY: You kind of lost me. Sorry.</p> <p>8 The general purpose is if it is to establish</p> <p>9 porosity throughout the upper -- upper part of</p> <p>10 Section 19, and the subject part of Section 18, and</p> <p>11 the -- and the porosity zones, which basically</p> <p>12 Ismay -- Upper Ismay formation, that's okay.</p> <p>13 But what is the feature that makes it</p> <p>14 noncontinuous, the porosity zone's there but why is</p> <p>15 it -- is it not saturated? So the issue being is</p> <p>16 where is the oil water contact, if you will, and</p> <p>17 where is saturation point or not, and at what point</p> <p>18 in time the current proposed well is well outside of</p> <p>19 that line. At what point in time it's going to be</p> <p>20 horizontal -- horizontal, and what point in time it's</p> <p>21 going to be within the porosity zone.</p> <p>22 MR. CLAWSON: That's testimony that's going</p> <p>23 to come later. With -- with -- as to the -- as to</p> <p>24 where the horizontal well will intercept. I mean,</p> <p>25 we're trying to establish an existence of the pull</p> <p style="text-align: right;">Page 54</p>	<p>1 Thank you, Mr. Chairman.</p> <p>2 I want to briefly touch again on Exhibit 10,</p> <p>3 try to -- try to clarify once again, and -- and ask</p> <p>4 my witness, is -- does Exhibit 10 -- is it mapped on</p> <p>5 porosity, the Desert Creek Formation?</p> <p>6 MOBASHIR AHMAD: No, it is not.</p> <p>7 MR. CLAWSON: What is it mapped on?</p> <p>8 MOBASHIR AHMAD: It is mapped on the</p> <p>9 structural depth to the Upper Ismay carbonate</p> <p>10 structure.</p> <p>11 MR. CLAWSON: To the base of the Upper</p> <p>12 Ismay?</p> <p>13 MOBASHIR AHMAD: No, to the top of the Upper</p> <p>14 Ismay, carbonate structures specifically in the Upper</p> <p>15 Ismay.</p> <p>16 MR. CLAWSON: Oh, I'm sorry. I jumped</p> <p>17 ahead. My fault. So it's not to the -- the top of</p> <p>18 the Upper Ismay?</p> <p>19 MOBASHIR AHMAD: Correct.</p> <p>20 MR. CLAWSON: Okay. Now I'd like you to</p> <p>21 refer to Exhibit No. 11.</p> <p>22 Have you examined this exhibit and are you</p> <p>23 familiar with it?</p> <p>24 MOBASHIR AHMAD: Yes, I have.</p> <p>25 MR. CLAWSON: Is -- is this a -- a similar</p> <p style="text-align: right;">Page 56</p>
<p>1 between the northeast corner.</p> <p>2 MOBASHIR AHMAD: May I say something?</p> <p>3 I think what has led to confusion is there's</p> <p>4 some technical terms which you are not quite</p> <p>5 understanding. 1-19 is above and outside our agency</p> <p>6 action request. Our agency agent [sic] request is</p> <p>7 for the northeast quarter. And I have established to</p> <p>8 answering the questions of our attorney, that there</p> <p>9 is continuity between 1-19 and 3-19. And this is</p> <p>10 outside of the subject matter for this hearing.</p> <p>11 I just mentioned that a fact in passing, and</p> <p>12 I've not -- do not mean to --</p> <p>13 MR. CLAWSON: It's been suggested that maybe</p> <p>14 we take a five-minute break.</p> <p>15 MR. JENSEN: I think that would be a good</p> <p>16 idea.</p> <p>17 CHAIRMAN JOHNSON: Let's take a five-minute</p> <p>18 break.</p> <p>19 MR. HAROUNY: I need --</p> <p>20 CHAIRMAN JOHNSON: Okay. It's -- let's</p> <p>21 reconvene at five minutes until 11.</p> <p>22 (Short recess taken.)</p> <p>23 MR. JOHNSON: Okay. Mr. Clawson, go ahead.</p> <p>24 MR. CLAWSON: Thank you, Mr. Chairman. I</p> <p>25 want to --</p> <p style="text-align: right;">Page 55</p>	<p>1 type map that was produced by a prior owner of -- of</p> <p>2 these properties?</p> <p>3 MOBASHIR AHMAD: It's been -- it's produced</p> <p>4 similarly to Exhibit 10.</p> <p>5 MR. CLAWSON: By the same parties that</p> <p>6 produced Exhibit 10?</p> <p>7 MOBASHIR AHMAD: Yes. Yes. And it is part</p> <p>8 of the larger map produced.</p> <p>9 MR. CLAWSON: And are we looking at subject</p> <p>10 Section 19 again?</p> <p>11 MOBASHIR AHMAD: Exactly the same.</p> <p>12 MR. CLAWSON: And -- and the wells, as they</p> <p>13 are labeled on this exhibit, have the same</p> <p>14 relationship that you already testified to on</p> <p>15 Exhibit 10?</p> <p>16 MOBASHIR AHMAD: Yes.</p> <p>17 MR. CLAWSON: Would you please tell us what</p> <p>18 this exhibit and what it shows -- what this exhibit</p> <p>19 is and what it shows.</p> <p>20 MOBASHIR AHMAD: This an ISO pack which</p> <p>21 basically shows the thickness of the Upper Ismay</p> <p>22 carbonate beneath the subject lands.</p> <p>23 MR. CLAWSON: And what is -- what is an ISO</p> <p>24 pack?</p> <p>25 MOBASHIR AHMAD: ISO pack shows the</p> <p style="text-align: right;">Page 57</p>

<p>1 thickness of the particular zone of concern. 2 MR. CLAWSON: Does this show any real extent 3 of the expected pool -- 4 MOBASHIR AHMAD: (Nods head). 5 MR. CLAWSON: -- in the upper Ismay 6 formation? 7 MOBASHIR AHMAD: Yes, it does. 8 MR. CLAWSON: Okay. Now I'd like to move on 9 to Exhibit No. 12. 10 (Exhibit 12 was discussed.) 11 MR. CLAWSON: Are you familiar with this 12 exhibit, and have you examined it? 13 MOBASHIR AHMAD: Yes, I have. 14 MR. CLAWSON: Could you please provide us 15 with a description of what this exhibit is. 16 MOBASHIR AHMAD: This shows you the Desert 17 Creek structure similar to Exhibit 10 for the Upper 18 Ismay structure. 19 MR. CLAWSON: Okay. Is this rectangular box 20 equivalent to subject Section 19? 21 MOBASHIR AHMAD: Yes, it is. 22 MR. CLAWSON: And first of all, is this the 23 Desert Creek structure map? 24 MOBASHIR AHMAD: Yes, it is. 25 MR. CLAWSON: Okay. And -- and these -- the</p> <p style="text-align: right;">Page 58</p>	<p>1 MR. CLAWSON: Have you examined the Three 2 Amigos well? 3 MOBASHIR AHMAD: Yes. 4 MR. CLAWSON: And would the -- would -- 5 would -- does that well provide any information that 6 would change your interpretation? 7 MOBASHIR AHMAD: No, it does not. 8 MR. CLAWSON: Did you generate this map? 9 MOBASHIR AHMAD: Yes, I did. 10 MR. HAROUNY: Mr. Clawson, can I -- can I 11 please -- 12 MR. CLAWSON: Yeah, sure. 13 MR. HAROUNY: What if -- if I lost this 14 sheet of paper, how would I find it somewhere and 15 what would it be pertaining -- what, besides -- there 16 is no range or section on it. 17 MR. CLAWSON: Right. And he just testified 18 that the rectangle is subject to Section 19, which is 19 the same, you know, town -- section that we've been 20 dealing wit. 21 MR. HAROUNY: Okay. 22 MR. CLAWSON: And he also testified that the 23 wells 3-19 and the 1-9, which should be 1-19. 24 MR. HAROUNY: So this is -- we should put a 25 big 19 in the middle of this somewhere. This is</p> <p style="text-align: right;">Page 60</p>
<p>1 numbers, the 3-19 and another number, 1-19, those 2 represent the wells that exist in the northeast 3 quarter of Section 19? 4 MOBASHIR AHMAD: Correct. 5 CHAIRMAN JOHNSON: Mr. Clawson. 6 MR. CLAWSON: Is there a -- 7 CHAIRMAN JOHNSON: Wait, just a minute. 8 First of all, I don't see a 1-19 on this 9 map. 10 MR. CLAWSON: Did I say 19? 1-9. Okay. 11 I'm going -- 12 MR. HAROUNY: Okay. Okay. 13 MR. CLAWSON: Do you see 1-9? 14 MOBASHIR AHMAD: Yes. 15 MR. CLAWSON: Is that incorrectly labeled? 16 MOBASHIR AHMAD: Yes, it should be 1-19. 17 MR. CLAWSON: Okay. And the other wells -- 18 well, the other -- well, well symbols that are 19 labeled on this map, are those numbers consistent 20 with what you testified as to Exhibit No. 10, terms 21 of the wells. 22 MOBASHIR AHMAD: 19 -- 2-19 should be 19-2. 23 And the Amigos -- Three Amigos well is not plotted on 24 here, but that is as given before for the proper 25 location.</p> <p style="text-align: right;">Page 59</p>	<p>1 Section 19? 2 MR. CLAWSON: Right. It should have a -- 3 MR. HAROUNY: I know that, but for purpose 4 of identification for exhibits -- 5 MR. CLAWSON: I agree. It should have a lot 6 more labels on it. 7 MR. QUIGLEY: So my question is: is 1-19 the 8 same well as 19-1? 9 MOBASHIR AHMAD: Yes. 10 MR. QUIGLEY: Okay. 11 MR. CLAWSON: Over a period of time, if you 12 go back into the well records, you will find the 13 well's numbers are transposed frequently, yet it's 14 the same well. 15 MR. QUIGLEY: They are transposed on the 16 documents we're reading right here? 17 MR. CLAWSON: Right. 18 MR. QUIGLEY: Okay. 19 MR. CLAWSON: And they may have had that 20 number back then. On Exhibits 10 and 11, they may 21 have had those numbers back then. And since that 22 time, those numbers may have been transposed in the 23 records. A well -- these are not the unique 24 identification number for wells. That's the APIN 25 number, and we have in the APIN number here that's.</p> <p style="text-align: right;">Page 61</p>

<p>1 MR. HAROUNY: So Mr. Mobashir has not 2 corrected in his map any names, correct? 3 MR. CLAWSON: Well, 10 and 11? 4 MR. HAROUNY: Yeah. 5 MR. CLAWSON: Actually, those were generated 6 previously by the prior owners. 7 MR. HAROUNY: But these new ones -- 8 MR. CLAWSON: These new ones, that's what 9 we're trying to take care of. 10 MOBASHIR AHMAD: If I may just clarify 11 without causing confusion. Exhibit 19 has not been 12 entered. It lists all the wells in this particular 13 field with API numbers with the formation that's -- 14 with all the particulars. 15 CHAIRMAN JOHNSON: We -- don't have 16 Exhibit 19. 17 MR. CLAWSON: Exhibit -- well, he's called 18 it Exhibit 19. I haven't entered -- I haven't filed 19 Exhibit 19. It's a summary of all the wells. Maybe 20 it would be a really good idea to put that in the 21 record, so let's do that. 22 MR. JOHNSON: We're in need of a very good 23 idea, so go ahead, Mr. Clawson. 24 Are these -- is that the handout we got this 25 morning?</p> <p style="text-align: right;">Page 62</p>	<p>1 MR. JENSEN: No objection. 2 MR. JOHNSON: Okay. Then let's continue 3 this until the October 27th hearing of the board in 4 Salt Lake City. 5 MR. CLAWSON: Okay. Thank you very much. 6 MR. JOHNSON: Thank you. 7 I believe that's all the matters we have to 8 hear this morning, so we are adjourned. 9 Thank you. 10 (This meeting was adjourned at 11 11:13 a.m.) 12 * * * * * 13 14 15 16 17 18 19 20 21 22 23 24 25</p> <p style="text-align: right;">Page 64</p>
<p>1 MR. CLAWSON: No. It can be a part of it 2 though. We haven't got to those exhibits yet. 3 If I could make this part of that package. 4 So while we're waiting to distribute that summary 5 sheet, can we continue? 6 MR. JENSEN: Can we go off the record for a 7 moment? 8 MR. JOHNSON: Let's go off the record. 9 (Short recess taken.) 10 MR. JOHNSON: Okay. Let's go back on the 11 record. 12 Mr. Clawson? 13 MR. CLAWSON: It was -- before going off the 14 record, it was suggested -- or while we were off the 15 record, it was suggested that perhaps we should 16 continue this matter until the Board's October 17 hearing for purposes of clarifying some of these 18 exhibits. And MAR/REG appreciates the Board's 19 concerns in those regards, and -- and is agreeable to 20 continuing this hearing and would move the Board to 21 continue this hearing until the Board's October 22 hearing. 23 MR. JOHNSON: Okay. 24 Is there any objection to that from the 25 Board?</p> <p style="text-align: right;">Page 63</p>	<p>1 REPORTER'S CERTIFICATE 2 3 STATE OF UTAH) 4) 5 COUNTY OF UTAH) 6 7 I, Emily A. Gibb, a Certified Shorthand 8 Reporter and Registered Professional Reporter, hereby 9 certify: 10 THAT the foregoing proceedings were taken 11 before me at the time and place set forth in the 12 caption hereof; that the witness was placed under 13 oath to tell the truth, the whole truth, and nothing 14 but the truth; that the proceedings were taken down 15 by me in shorthand and thereafter my notes were 16 transcribed through computer-aided transcription; and 17 the foregoing transcript constitutes a full, true, 18 and accurate record of such testimony adduced and 19 oral proceedings had, and of the whole thereof. 20 I have subscribed my name on this 3rd day of 21 October, 2010. 22 23 24 25</p> <p style="text-align: right;">Emily A. Gibb, RPR, CSR</p> <p style="text-align: right;">Page 65</p>

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